

**US Trade Representative Robert B. Zoellick
EU Trade Commissioner Pascal Lamy
Press Conference
March 3, 2003
Office of the USTR
Washington DC**

Zoellick: I apologize for being a little late. First I want to thank Commissioner Lamy for coming. He was in the Caribbean doing hard duty, but he managed to come up to Washington this morning.

We started out with a little broader discussion because we both recognize this is a time of international tensions and uncertainty. And I think we both recognize the importance of the international economy given this context, as a stabilizing role today and as a growth and opportunity as we look ahead. And in that context, trade plays a key role for both the developed and the developing countries.

The plain fact is the United States and the European Union are joined at the hip economically. Our two-way trade is about \$770 billion. The stock of European foreign direct investment in the United States is about \$800 billion and the U.S. foreign direct investment in Europe is about \$640 billion. So that's a total of almost \$1.5 trillion. And each side employs about four million people in the other's economy.

We discussed the Doha Development Agenda and a series of bilateral issues. We clearly have differences on aspects of the Development Agenda, notably in agriculture, but we have a lot of room for common ground too. And we talked about the goods area, services, and the so-called Singapore issues, and a series of other topics.

I think the key point is that we don't see this negotiation or other negotiations as a win-lose process. We're trying to explore priorities in a basis for coming together. We're working towards the Cancun meeting. We know we won't close all the gaps at that meeting, but that's not the purpose of a midterm ministerial. So we spent a lot of time talking about how we could keep those negotiations on track and point the way towards an agreement.

On the bilateral issues, one needs to see them in the context of the deep economic relationship I referred to. I told Commissioner Lamy that we recognize the importance of compliance on WTO rules. We have important support in Congress. The two key chairs, Finance and Ways and Means have shared the same comments I've made. The United States has to abide by the rules we've agreed to. And after all, as the largest trading nation, it's in our interest to do so. We also discussed some of the problems that we have with EU markets, whether it's past cases or problems that could become cases.

Just a brief concluding thought. I spoke with Pascal about the President's recent speech to the American Enterprise Institute because current security issues are about more than questions of

proliferation of weapons of mass destruction and dangerous regimes or respect for U.N. obligations. They're also about creating the security context for open societies, economic opportunity, hope, and leaving no nation behind with development and growth and prosperity. This is especially the case with the Arab and the Muslim world and we shared perspectives about those possibilities. But it's also true for the international economy generally.

Trade is the face of the international economy for many developing nations and many of the businesses in the United States and Europe. There is a network of interdependence. And the U.S. and the European Union's influence over the trading system parallel. So as we manage the disputes and work towards greater openness through the WTO and the Doha Development Agenda, we also spent some time trying to look at some of the possible opportunities for the future as well.

Lamy: I think it's a fair record of the time we spent together this morning. Starting from the same observation, which is E.U.-U.S. trade agenda is a big one. That's a tradition, that it's a big agenda. But it's heavier and heavier given the various discussions we both are involved on whether at the multilateral level, whether at the regional level, and whether we have looked at our bilateral relationship.

I think we both agree on the fact that the present geopolitical circumstances make it even more necessary that the E.C.-U.S. trade agenda is handled with care and with a lot of cooperation. Trade is one area where the European Union has a single policy and I think we have to build on that and I have the same numbers as the ones Bob has in mind. We trade ~~1~~ 1 billion a day through the Atlantic. And sort of managing this trade relationship, whichever direction it is, in the present circumstances is something we both will have to give great care. I think, since we've been in this position, both of us have devoted quite a lot of care on this, but we probably need to do even more than that in the coming months.

We reviewed the positives and the friction part of our agenda. On the positives in the round, as Bob said, there are things where we still have tensions. Where our interests may not be the same. But on the whole, the view is that we probably need more of a result at the end of this exercise than we expected at the beginning in Doha. We share this view and I think the sort of cold shoulder we have to do on a number of these issues is crucial.

On other positive issues like the agenda we are trying to run now on a sort of yearly basis for responding to the summits. There are, sort of, areas on wine, or on poultry, or on steel, and the exercise we are jointly sponsoring in the OECD have given some reasonable results. We are not there yet, in most of these places, but there are areas where we succeeded in moving things forward.

On disputes, of course, we have a compliance problem with the U.S. When you look at the number of cases where the U.S. would have to comply, we are worried that not much is happening on this and this will be part of the sessions I will have this afternoon and tomorrow with the people on the Hill. Because we know that in many of these respects, it's in their hands.

I want to thank Bob for what he said on this. I think the U.S. administration has taken its stance, has taken its responsibility, vis-a-vis the U.S. legislature. Well, we have now to, both us to interact with the U.S. legislature so that compliance decisions happen, which is the rule of the game. And we want this to happen, I will discuss this, but there is sort of pressure time coming which makes a number of these decisions more urgent.

So a reasonable mix of things where we agreed and things where we will agree, things where we still disagree. But I think the spirit remains what it has been until now, thanks.

Zoellick: Since Commissioner Lamy missed flights and only had about three hours of sleep, I offered to answer for both the U.S. and the European Union [laughter] but he generously said that he would still pitch in on his side, so go ahead.

Q: Hi my name is Andre Sitov.

Zoellick: This wouldn't be a question about the Russian WTO would it?

Q: Yes it will. [laughter] [inaudible: It will be a request for a brief update.]

Zoellick: Do you want to start? You've been in Russia more recently.

Lamy: For the moment we have less of a problem on poultry than you have, but I'm not sure it will last [laughter] very long.

We discussed this. It's a topic which we regularly review between ourselves. I think the policy line is on both sides clear. We want Russia to join the WTO as soon as possible. We see with that its going to be hard with the Russian economic reform process. The President of the Russian federation has made it an important political point, and negotiations are happening, and they are moving forward. Of course, it's a long way and starting where the Russian economic system started, it's a long way to sort of get to near WTO standards.

And obviously there still remain, in the area notably of services and on the question of energy prices, big negotiations that have to take place. But I think its moving, and at some stage this year I think we will have the Russians, Europe, because of the importance of our trade relationship, and the U.S., because of the importance of that trade relationship, to make a decision on, do we have a sort of horizon time in mind? I think its probably too soon together, but its something which we'll have to consider this year.

Zoellick: In the interest of economy of time, I'll just associate myself with Pascal's comments which I think are very close or the same as our perspective. On the particulars of poultry and other meats, I really don't have anything to add beyond what I said on the House side last week and I'll probably get the question on the Senate side in two days so you can get an update then.

Q: Ted Alden, FT. [inaudible: You said the U.S. has a compliance problem, as you've acknowledged this is a fairly delicate time in U.S.-E.U. relations, the U.S. has generally withheld

from bringing a case against GMO's why pick now to press the U.S. on this compliance question?]

Lamy: It's just a consideration of the rule of the game in WTO and the fact that the U.S. has in a number of cases, got decisions from the dispute settlement machinery, which implied that they change their legislation. Some of these are starting to be oldish, others are fresher. I'm more interested in solving the oldish, which by the way, also happen to be the biggest. But it's a constant hygiene we need to have.

If the U.S. and the E.U., the sort of two big elephants in the system, the two big pillars of the system, if we don't comply, the system has a problem. I have a problem. He has a problem. But the system has a problem. We are trying to do it in the, sort of, hormone case which is the one we lost. So it's not a question of being un-nice. It's not a question of banging on doors on which we shouldn't be banging when there is a bit of storm outside. It's just a question that we care about the system and we need this to be run in an efficient way.

And by the way, at the end of the day, it's also about business. I mean, what do I say to the European companies that compete on unequal terms? That's what the WTO decided. What do I say to the German companies who have five suites in state of A and B on the 1916 antidumping legislation? I have my own people to be shown accountable. So it's not a question of being un-nice. It's a question of managing an agenda. And I know, I know that the day we have ten problems of this kind, instead of having two, we'll have a bigger problem. And I don't want it to happen. I'm solution-oriented.

On this, I'm a pragmatic. I want these things to be solved. I have means at my disposal given the rules of the game. I will use them only in the consideration that it helps me get a result. If the answer to "does it help?" if the answer is yes, I will use it. If the answer goes the other way around, I won't use it. It's purely pragmatic.

Q: Corbett Daly, AFX news. [Could you please say what you are referring to?]

Lamy: Its about taxes. It's about the 1916 anti-dumping legislation. It's about Irish music. It's about the Byrd amendment. It's about privatization. The list is a bit longish, I'm sorry. That's one of my problems.

Q: Paul Blustein, WP, [speak about GMO case.]

Zoellick: I talked about this with Commissioner Lamy both in Tokyo and briefly today. And, as the prior question sort of set up, sometimes there's problems that you bring cases on, and some that you even try to hold off. So on these sum cases that I've discussed with Pascal, we have tried to hold off but we're getting to the point where the patience is running to the end of the string. And this is one where for us, the European Union for four years has had a moratorium that a number of Commissioners have acknowledged is illegal under their own rules, plus the WTO rules. And while I think the Commission is trying to move forward the process, we're discovering that the infection of the illegality is spreading more widely. This is not only the case

of Africa that I've discussed, but frankly, I'm finding in other corners of the world as well.

So we are at a point where we believe the moratorium needs to be lifted. We're in the process of trying to work with others around the world to try to have that happen most expeditiously. And we are eager to see what kind of progress the Commission makes as well.

Moderator: We'll take one more question.

Bluestein: [inaudible]

Zoellick: That's all I'm going to say on it Paul.

Q: Martin Vaughn, Inside U.S. Trade; [inaudible: Specific time frame for resolving disputes? Section 211?]

Lamy: To put it very simply, the list is there. It's a fact. The position of the administration, as expressed by Ambassador Zoellick in most of these cases is clear, about what does compliance mean. There may be, here and there, differences in what we would like for compliance and what he would like for compliance. But it's a minor issue. For instance, in the Havana Case, the section 211, yes, of course, we want the WTO ruling to be implemented in full. But what does it exactly mean, is something we can discuss. And on this, we still have some adjustments to make. It's like on privatization or on 1916, for these sort of future cases. We may have some. But on the bulk of that, I consider that the position of the U.S. administration is clear, and now it's a question of how does the U.S. administration and Congress interact. And I'm trying to be helpful in this.

And I have regular conversations, either physically or on the phone with Chairman Thomas, with Chairman Grassley and I don't do that for the pleasure of doing it.

Zoellick: Although you certainly enjoy when you're doing.

Lamy: Most times. Sometimes, [laughter] sometimes I don't. So we have to move a process forward. And we know that in these things, Congress is terribly important. So I don't think it's a problem of fighting or disagreeing on this. We basically want this to happen and the question is, "How does it happen?" And it's something we have in common.

Q: Time frame?

Lamy: As a negotiator, I only use time frames when I'm sure it's going to be useful to use time frames. In some of these cases, for instance Irish music, I probably should have used time frames before and I didn't do it and I might have been wrong. On others, notably FSC, the question will come whether or not we give a deadline. I think I must only do this when I'm sure it's going to be helpful.

Zoellick: I apologize, but I have got another meeting.

Lamy: I'll have another press briefing tomorrow. Thanks.

Zoellick: Thank you.

###